

# IDAHO OUTLOOK

## NEWS OF IDAHO'S ECONOMY AND BUDGET

STATE OF IDAHO

DIVISION OF FINANCIAL MANAGEMENT

MAY 2005 VOLUME XXVII NO. 11

Several years ago the phrase “the two Idahos” was coined to describe the differences between the rural and urban parts of the Gem State. Coming up with the phrase was the easy part. More challenging were the definitions of rural and urban. Federal definitions of rural and urban failed to capture the reality of Idaho. Local experts settled on defining urban Idaho counties as those whose largest town or city has a population of at least 20,000 residents. The largest towns or cities in rural counties have fewer than 20,000 residents. These definitions are used in the most recent edition of the *Profile of Rural Idaho* that was written by Priscilla Salant and Alan Porter and published this spring by the Idaho Department of Commerce and Labor. Under this definition Ada, Bannock, Bonneville, Canyon, Kootenai, Latah, Madison, Nez Perce, and Twin Falls counties are urban. All other counties are rural. Rural counties are divided into three categories: commuting, rural centers, and open country. Commuting counties are those where at least 25% of

the workforce commutes to an urban county of at least 50,000 residents. Rural centers have an urban cluster of at least 7,500, but no cities that meet the 20,000 threshold of urban counties. Open country counties have no urban clusters of at least 7,500 residents. A few excerpts from this report are featured in this month's *Idaho Outlook*.

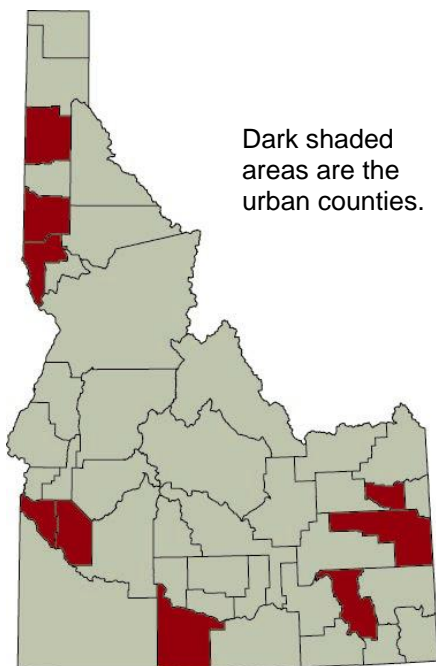
We first look at the differences between the urban and rural economies. Services employment was the single largest employment sector for both the urban and rural counties. However, it was significantly larger in the urban counties, where it accounted for nearly 40% of all jobs, versus 23% of all jobs in the rural counties. Interestingly, government employment was the second largest employer in the rural areas. In fact, its 22% share of employment was bigger than in the urban areas (17%). As in the past, the state's rural economy remains deeply rooted to resourced-based industries. For example, agriculture production and processing and natural resources employment accounted for nearly one of every five jobs in 2003. In comparison, they account for just one in 20 jobs in the urban counties. The trade, utilities, and transportation share of jobs was nearly the same for both the rural (17%) and urban (19%) counties.

Next we look at income. Income levels in rural Idaho are lower than those in urban parts of the state, which is consistent with patterns across the United States. The mix of industries, wage rates, educational attainment, and demographics are key factors for this difference. One useful measure of income is median household income, at which half of all households have higher incomes and half have lower incomes. In 2002, median household income in rural Idaho was 15% less

than the median for urban areas. The gap has been about the same since 1990. Keep in mind, however, that the statewide median belies the variation among counties. A good example is Blaine County. This rural county had the state's highest median income of \$53,000 in 2002. This was about \$5,000 more than in Ada County, which is the state's most urban county. Households in Owyhee, Lemhi, Idaho, and Shoshone counties—all rural—had the lowest median income levels.

As was mentioned above, one of the reasons for income differences between the urban and rural counties is wages. In 2002, the average wage in rural Idaho was about 88% of that in urban Idaho. It was 93% in 1970. Average wage levels reflect the industry mix, or the relative share of various goods and services industries. They also reflect the occupational mix needed to produce goods and services. Lower wages in rural Idaho are likely due to both factors. In 2002, wages were lowest in Camas, Oneida, and Bear Lake counties. Wages were highest in Butte (home of the Idaho National Laboratory), Caribou, and Ada counties.

This outlook focused on just a few highlights from the *Profile of Rural Idaho*. We hope this *Outlook* has piqued the interest of readers to pursue further this fascinating topic. Towards that goal we heartily recommend readers peruse the entire report, which is available online from the Idaho Rural Partnership at <http://irp.idaho.gov/>. Hard copies of the report can be obtained by calling the Idaho Department of Commerce and Labor at (208) 334-2470.



**DIRK KEMPTHORNE, Governor**

**Division of Financial Management  
700 W. Jefferson, Room 122  
PO Box 83720**

**Boise, Idaho 83720-0032 (208) 334-3900**

**ADDRESS SERVICE REQUESTED**

**PRSRT STD  
U.S. POSTAGE  
PAID  
PERMIT NO. 1  
BOISE, ID 83720**

Brad Foltman, Administrator

**Economic Analysis Bureau**

Michael H. Ferguson, Chief Economist

Derek E. Santos, Economist

## General Fund Update

As of April 30, 2005

<u>Revenue Source</u>	<u>\$ Millions</u>		
	FY05 Executive Estimate <sup>3</sup>	DFM Predicted to Date	Actual Accrued to Date
Individual Income tax	974.5	879.3	921.7
Corporate Income tax	120.6	95.1	115.0
Sales Tax	933.4	777.4	794.1
Product Taxes <sup>1</sup>	22.4	18.7	18.9
Miscellaneous	105.9	56.4	66.1
<b>TOTAL GENERAL FUND<sup>2</sup></b>	<b>2,156.9</b>	<b>1,827.0</b>	<b>1,915.8</b>

<sup>1</sup> Product Taxes include beer, wine, liquor, tobacco and cigarette taxes  
<sup>2</sup> May not total due to rounding  
<sup>3</sup> Revised Estimate as of January 2005

**G**eneral Fund revenue performance in April was nothing less than stunning. All major revenue categories were higher than expected. The total was \$62.4 million above the predicted level. This puts the cumulative excess through April at \$88.9 million.

**I**ndividual income tax accounted for \$49.4 million of April's excess revenue. One component, filing payments, was \$40.4 million higher than expected for the month. Filing payment growth was expected to be 13.3% in April, but actual growth was 37.7%. This appears to be the fastest April growth rate on record, and is more than double the fastest April growth rate recorded during the entire decade of the 90s. In FY 1988 filing payments grew by 28.4% in April, but that year was impacted by a substantial rate increase. Year-to-date filing payment growth now stands at an amazing 30% growth rate over the same period in FY 2004. April withholding collections were also quite strong, coming in \$5.7 million higher than expected. That is easily the largest fluctuation of the entire 2005 fiscal year.

Although individual months have varied by as much as several million from the predicted level, at the end of March the cumulative amount of withholding was only \$0.8 million (0.1%) higher than expected. It is now \$6.5 million (0.9%) higher on a cumulative basis. Refunds also contributed to April's strength, with \$3.2 million less paid out than expected. On a year-to-date basis refunds are now \$20.1 million higher than expected, but this is due to recent changes in income tax filing technologies. Refunds are very likely to be substantially lower than the predicted levels for May and June, and for the full fiscal year should come in very close to the forecasted amount of \$184 million.

**C**orporate income tax was \$6.2 million higher than expected for the month. It is now \$19.9 million higher than expected for the year to date. April's strength was due to \$3.2 million more in filing payments than expected, \$4.0 million more in estimated payments, and \$0.8 million more in refunds than were expected. Corporate income tax was expected to grow by 21.3% in April, but

actually grew by 47.8%. Cumulative growth through April was expected to be 28.7%, but is actually 55.6%.

**S**ales tax was \$6.0 million higher than expected for the month. It is now \$16.7 million higher than expected for the year to date. April's performance is the strongest of the current fiscal year (based on the current forecast). Cumulative growth in gross collections through April was expected to be 7.8%, but is actually 9.7%. This is most likely the result of strong construction activity that has persisted in spite of efforts by the Federal Reserve Board to raise interest rates.

**P**roduct taxes were \$0.1 million above expectations in April, and Miscellaneous revenue was \$0.8 million higher than expected. Strong unclaimed property receipts (\$4.5 million more than expected) were offset by interest earnings that were \$3.5 million lower than expected. The weak interest earnings appears to be a matter of timing. The Tax Anticipation Note was completely funded in April, a month earlier than anticipated.